

Message Text

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ACTION NEA-10

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EO 11652: NA
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SUBJ: DEVELOPMENTS IN COCA COLA PROBLEMS WITH GOI

REF: NEW DELHI 11104

SUMMARY: SINCE TRANSMITTAL OF REFTEL, PROBLEMS BETWEEN COCA COLA AND GOI HAVE RECEIVED FURTHER WIDESPREAD AND UNFAVORABLE ATTENTION IN INDIAN PRESS, BUT COCA COLA'S POSITION IN INDIA REMAINS UNRESOLVED AND NEGOTIATIONS MAY WELL DRAG OUT FOR SOME FURTHER TIME, IN MANNER TYPICAL TO SUBCONTINENT. PROMINENT WAY IN WHICH COCA COLA PROBLEMS HAVE BEEN TREATED BY INDIAN PRESS (TO EXTENT OF CARTOON ON FRONT PAGE OF LEADING DELHI NEWSPAPER) ARE INDICATIVE OF GREAT SENSITIVITY TOWARD AND SUSPICION OF "MULTINATIONALS" WHICH EXISTS IN INDIA. END SUMMARY.

1. DURING PAST WEEK COMMERCIAL COUNSELOR HAS CONFERRED TWICE WITH COCA COLA VICE PRESIDENT AND AREA MANAGER FOR INDIA KISAN MEHTA AND WITH COCA COLA PRESIDENT FOR LIMITED OFFICIAL USE

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AFRICA AND INDIA ANTHONY YOUNG, WHO VISITED DELHI FROM NAIROBI FOR SEVERAL DAYS AND WHO WILL RETURN NEXT WEEK.

2. COMPANY'S BASIC POSITION IS THAT IT WILL REMAIN OPEN AND CONTINUE TO PAY EMPLOYEES, EVEN THOUGH IT WAS FORCED TO CEASE PRODUCTION OF CONCENTRATE IN JUNE 1977

DUE TO RUN-DOWN OF IMPORTED RAW MATERIALS (AFTER GOI REFUSED TO ISSUE NECESSARY IMPORT LICENSES.) BY LETTER DATED MAY 5, 1977, THE GOI GAVE COCA COLA ONE YEAR TO DILUTE ITS WHOLLY OWNED SUBSIDIARY HERE TO 40 PERCENT US EQUITY AND ON JUNE 10 ISSUED A "C.O.B." (CARRY-ON BUSINESS) LICENSE TO ENABLE COMPANY TO CONTINUE IN BUSINESS, IF NOT IN ACTUAL PRODUCTION, UNTIL ITS RESPONSE TO FERA DILUTION REQUIREMENT WAS RECEIVED.

3. ENUNCIATION OF COMPANY POLICY FROM HEADQUARTERS IN ATLANTA THAT COCA COLA WOULD NOT RELINQUISH COMPLETE CONTROL OVER QUALITY AND FORMULA ASPECTS OF INDIAN OPERATIONS, (WHICH RECEIVED WIDE-SPREAD ADVERSE COMMENT HERE), DOES NOT, ACCORDING TO LOCAL COCA COLA OFFICIALS, CONSTITUTE A FORMAL REPLY TO GOI'S MAY 5 LETTER. COCA COLA NOW CONSIDERING WITH LEGAL COUNSEL THE CONTENTS OF LETTER WHICH THEY WILL HAVE TO WRITE IN NEXT COUPLE OF WEEKS. COCA COLA V.P. HERE, IN COOPERATION WITH VISITING REGIONAL PRESIDENT YOUNG, HAS ALSO DRAWN UP, FOR THE RECORD, A DETAILED POSITION PAPER BY WAY OF REPLY TO PRESS AND OTHER CHARGES WHICH COCA COLA CLAIMS ARE HIGHLY DISTORTED. POSITION PAPER NOW BEING REVIEWED IN ATLANTA.

4. ACCORDING TO V.P. KISAN MEHTA, ATLANTA HEAD OFFICE CONSIDERING FURTHER ATTEMPT AT COMPROMISE WITH GOI LIMITED OFFICIAL USE

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WHEREBY COMPANY WOULD WITHDRAW FROM PRODUCTION AND DISTRIBUTION OF COCA COLA CONCENTRATE IN INDIA BUT WOULD CONTINUE TO PRODUCE FANTA ORANGE CONCENTRATE THROUGH A NEW 60 PERCENT INDIAN-OWNED FIRM, WITHOUT RETENTION OF QUALITY OR FORMULA CONTROL. KISAN MEHTA REMAINS PESSIMISTIC CONCERNING WILLINGNESS OF GOI EVEN TO ACCEPT SUCH COMPROMISE AND BELIEVES GOI WILL PROBABLY CREATE PROBLEMS WITH REGARD CONTINUED USE OF FANTA TRADEMARK IN INDIA. HE CONTINUES TO EMPHASIZE BASICALLY HOSTILE ATTITUDE OF GOI AND INTERESTS OF LARGE INDIAN SOFT DRINK COMPANIES IN PULLING DOWN WHOLE COCA COLA ORGANIZATION IN INDIA.

COMMENT

5. HOSTILITY OF SOME GOI CABINET MEMBERS, PARTICULARLY GEORGE FERNANDES OF MININDUSTRY MAY, WE BELIEVE, HAVE RESULTED FROM PREVIOUS COCA COLA ACTIVITIES HERE IN SUPPORT OF CONGRESS PARTY DURING PREVIOUS REGIME, KISAN MEHTA, WHOSE NAME CLOSELY CONNECTED WITH THESE ACTIVITIES, WILL BE LEAVING INDIA FOR A NEW ASSIGNMENT IN COCA COLA NEW YORK OFFICE

WITHIN NEXT TWO WEEKS. ANOTHER INDIAN NATION, BIPIND PATEL, WILL THEN BE TAKING OVER WITH TITLE OF RESIDENT MANAGER. ARRIVAL OF COCA COLA'S DESIGNATED TOP EXECUTIVE FOR INDIA, US CIT CHARLES KRESKE, SEEMS TO HAVE BEEN POSTPONED INDEFINITELY.

6. OUR VIEW OF COCA COLA SITUATION HERE IS THAT IT WILL PROBABLY SIMMER ALONG FOR SOME TIME WITH COMPROMISE ON PRODUCTION OF ORANGE FANTA A SLIM POSSIBILITY AND WITH COCA COLA EXECUTIVES EMPLOYING DELAYING TACTICS SO TYPICAL OF NEGOTIATIONS IN THE SUBCONTINENTAL ATMOSPHERE, COMPANY SEEMS TO HOPE THAT GOI MAY HAVE SOME SECOND THOUGHTS WITH REGARD TO COCA COLA IN CONSIDERATION OF GENERALLY IMPROVING POLITICAL RELATIONS LIMITED OFFICIAL USE

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BETWEEN US AND INDIA AND PARTICULARLY OUT OF POSSIBLE NEW INDIAN AMBASSADORIAL APPOINTMENT TO WASHINGTON, WHICH THEY PERCEIVE AS "PRO-BUSINESS".

OUR VIEW, HOWEVER, WOULD BE THAT COCA COLA'S HOPES ARE SOMEWHAT FAR FETCHED, GIVEN STRONG NEGATIVE DOMESTIC INFLUENCES ON SITUATION, AS OUTLINED ABOVE. GOHEEN

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Disposition Date: 22 May 2009
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